

Message Text

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ACTION EB-11

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INFO AMEMBASSY BEIRUT

C O N F I D E N T I A L CAIRO 2712

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EO 11652: GDS

TAGS: BEXP, EG

SUBJECT: SUMED

1. TAMRAZ OF KIDDER, PEABODY CALLED ON ME TODAY, SEPTEMBER 10, TO BRIEF ME ON HIS LATEST SUMED CONTACTS WITH GOE. HE SAID HE HAD DECIDED TO TELL EGYPTIANS THAT EXIM BANK HAS GIVEN PRELIMINARY COMMITMENT TO FIRST NATIONAL CITY BANK FOR TOTAL EXPENSE OF AT LEAST \$170 MILLION. HE WILL NOT GIVE THEM TEXT OF EXIM LETTER AT THIS TIME ON ASSUMPTION THAT LETTER IS A PRIVATE DOCUMENT BETWEEN EXIM AND FNCB. IF ASKED FOR DETAILS HE WILL REPLY THAT SOME DETAILS REMAIN TO BE WORKED OUT.
 2. GOE HAS STILL NOT REPLIED TO BECHTEL OFFER AND HAS ASKED FOR EXTENSION OF DEADLINE FROM SEPTEMBER 10 TO SEPTEMBER 20 ON GROUNDS THAT ACCEPTANCE MUST BE APPROVED BY SADAT, WHO HAS BEEN TOO BUSY WITH ALGIERS CONFERENCE AND CURRENT ARAB MINI-SUMMIT MEETING IN CAIRO TO FOCUS ON SUMED. BECHTEL HAS AGREED TO 10-DAY EXTENSION ONLY ON CONDITION THAT GOE ASSUME RISK OF UPWARD MOVEMENT IN PRICE OF PIPE DURING 10-DAY PERIOD. GOE NEGOTIATING COMMITTEE AGREED TO THIS CONDITION.
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3. ONCE KIDDER, PEABODY HAS GOE ACCEPTANCE OF BECHTEL

AS PRIMARY CONTRACTOR AND HAS GOE AGREEMENT ON OVERALL PRICE, DETAILS OF FINANCING PACKAGE CAN BE WORKED OUT. TAMRAZ WILL THEN OFFER TO PAY EXPENSES FOR EGYPTIAN NEGOTIATING TEAM TO TRAVEL TO WASHINGTON TO NEGOTIATE DETAILS OF EXIM PARTICIPATION.

4. COMMENT: I BELIEVE THIS IS SENSIBLE SCENARIO. EXIM PRELIMINARY COMMITMENT LETTER IS CLOSE TO EGYPTIAN EXPECTATION BUT CONTAINS SOME CLAUSES THAT COULD RUFFLE EGYPTIAN SENSITIVITIES. IN PARTICULAR, EGYPTIANS WILL NOT LIKE NON-INTERFERENCE COMMITMENT OR STIPULATION THAT ALL OTHER USG DEBTS MUST BE PAID. IF INTRODUCED AT RIGHT TIME AND IN RIGHT WAY, I BELIEVE THESE MATTERS CAN BE TAKEN CARE OF TO SATISFACTION OF EXIM, PERHAPS OUTSIDE OF FORMAL SUMED DOCUMENTARY FRAMEWORK. AT SAME TIME, I BELIEVE THAT EXIM LETTER IS CLOSE ENOUGH TO EGYPTIAN EXPECTATION THAT WE RUN NO GREAT RISK OF FINDING OURSELVES AT SOME LATER DAY ACCUSED OF HAVING MISLED GOE BY NON-DISCLOSURE OF ALL EXIM CONDITIONS AT THIS TIME. MOST IMPORTANT STEP NOW IS TO NAIL DOWN GOE ACCEPTANCE OF BECHTEL AS PRIMARY CONTRACTOR AT BECHTEL'S PRICE, BEFORE BECHTEL'S OFFER BECOMES OUTDATED BY CHANGES IN SUPPLIER'S PRICES OR FLUCTUATION IN CURRENCY EXCHANGE RATES. DISCUSSION OF DETAILED EXIM CONDITIONS WITH GOE AT THIS TIME MIGHT DIVERT US FROM THIS GOAL. ONCE THE GOAL IS ACHIEVED, I BELIEVE THAT DETAILS OF FINANCING PACKAGE CAN BE NEGOTIATED.

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